

Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Car Park Income
Date of Issue:	9th September 2019
Level of Assurance	Limited Assurance
Report Distribution:	Commercial Service Manager Town Centre Operations Manager



INTERNAL AUDIT REPORT

Car Park Income

Introduction

A routine internal audit of the systems and control procedures relating to the collection, recording and banking of income arising from the operation of the Council's car parks has recently been completed.

Scope and Objectives

The scope and objectives of the audit was to ensure that income records are maintained and that there are adequate controls and procedures in place. Areas reviewed were:

- Previous Recommendations
- Parking Fees and Charges
- Controlled financial stationery
- Cash floats
- Banking procedures and records
- Internal checks and procedures
- Ticket procurement, stocks and issues
- Machine Testing
- Discounted parking schemes i.e. monthly and annual permits
- Employee parking permits
- Arrangement with Derbyshire County Council in respect of on-street parking
- New car parks/machines
- Comparison of actual income/expenditure to budgets

It has been decided to carry out certain tests on a cyclical basis therefore the following were not included in the scope of this audit:

- Ticket Advertising
- Machine fault recording and investigation
- Security and procedures in relation to emptying car park machines
- Back-up procedures for car park equipment

Conclusion

As a result of the audit it is considered that the current systems provide **Limited Assurance** on the basis that, despite agreement, all previous recommendations have been restated (Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.), see appendix 1.

Acknowledgement

The Auditors would like to thank the Car Parks staff for their helpful assistance during the audit.

Findings and Recommendations

Previous Audit Recommendations

1. During the previous audit 8 recommendations were made. A review of these recommendations established that all previous recommendations have not been implemented, despite agreement, see table below and appendix 2:

Previous Audit Recommendations	
Completed	0
In Progress	1
Not Completed	7

Incomplete recommendations are restated as part of this audit
(See R1, R4, R5, R6, R7 & R8)

2. In the previous audit a recommendation was made to “*ensure that a record of faults reported and repairs completed is maintained*”. Fault reporting was not included as part of this audit scope, however, a conversation with the Car Parks and CCTV Supervisor established that records of faults are being maintained for Skidata and Metric Machines but not for the Hectronic pay and display machines.

Recommendation	
R1	As recommended in the previous audit it should be ensured that a record of faults reported and repaired is completed and maintained Priority: Low

3. During the 2016/17 audit, a recommendation was made in regards to discounted parking schemes, this area was not included in the scope of the previous audit as it was part of the cyclical tests but reviewed as part of this audit. It was identified that the recommendation was partially completed however further work was required **(See R2)**.

Fees and Charges

4. A report was approved by cabinet on 30/01/2018 detailing the price changes for the car parks run by CBC for implementation in the 2018/19 financial year.
5. Within this report it stated “*That if the income target is achieved in 2018/19 there will be no increase in tariffs in 2019/20 but the prices will be reviewed for 2020/21*” however, it was ascertained that the interpretation was that fees would be reviewed bi-annually, not linked to budgets. Consequently the Town Centre Operations Manager agreed to remove this paragraph from future fees and charges reports.
6. It was evidenced that the car park systems and the Council’s website reflected the current and up to date prices.

Controlled Financial Stationary

7. All general receipt books in stock at the last audit and all books issued since the previous audit were accounted for during this audit.

- 8. Stock testing was conducted and the following documentation was checked:
 - Surface parking scratch cards
 - Residents scratch cards
 - Blue badge scratch cards
 - Resident's permits
 - Visitor's permits
 - Staff permits
 - Blue badge annual passes

- 9. All controlled stationary is held in locked storage cupboards accessible only by the car parks officers.

- 10. Stock testing of car park scratch cards identified the following:
 - Using previous audit stock checks, invoices and purchase orders from the scratch card supplier since the last audit it was confirmed that all ordered scratch cards were received and that current scratch cards stock levels agree with calculated stock levels
 - No records are maintained of stock in hand (**See R4**)
 - All scratch cards issued were adequately recorded
 - A review of the scratch cards being sold from the Visitor information centre established that these sales are being adequately recorded
 - A review of the scratch card sales from the Beetwell street multi-storey car park revealed that scratch card sale were recorded with minor variances (£3.60 Since January 2019).
 - A review of scratch card sales from the support services department identified that sales were being adequately recorded however 1 book of 10 scratch cards was currently missing.

- 11. It was identified that discounted parking scratch cards had been issued to a few local business when sold in large quantities (e.g. University of Derby). A conversation with the car parks staff established that these discounts had been organised by the Town Centre Operations Manager. A review of the Fees and Charges report for 2018/19 and 2019/20 identified that no delegated authority has been granted for price changes on car parking fees.

Recommendation	
R2	<p>It is essential that the all prices charged comply with the fees and charges approved by the cabinet. Consideration should be given to including delegated authority for discounts within the next fees and charges report</p> <p>Priority: Medium</p>

- 12. Stock testing of residents, visitor and staff permits identified the following:
 - Using invoices and purchase orders from the printing supplier it was confirmed that all ordered permits were received and that current permit stock levels agreed with calculated stock levels
 - No records are maintained of stock in hand (**See R4**)
 - Permits get logged onto a database when they are issued; these records are not comprehensive as permit details are overwritten when they are renewed
 - No record of spoil permits are retained

- Review of the parking permit records between January 2019 and the 31st July 2019 established the following:

	Zone A			Zone B			Zone C			Park Lane
	Business	Resident	Visitor	Business	Resident	Visitor	Business	Resident	Visitor	Resident
Recorded	9	93	103	2	134	150	2	133	139	12
Not recorded /spoilt	1	15	12	0	18	10	8	31	11	1
Total Used	10	108	115	2	152	160	10	164	150	13
% Not recorded/spoilt	10.00%	13.89%	10.43%	0.00%	11.84%	6.25%	80.00%	18.90%	7.33%	7.69%

- A review of business permits for Zone C identified that these permits had been issued but not recorded in the database
- It was calculated that a total of 12.1% of permits used within the period where either not recorded on the database or spoilt.

Recommendation	
R3	Consideration should be given to reviewing the current system for recording residential parking permits to ensure comprehensive record exists Priority: Low

- A conversation with the Car Parks and CCTV Supervisor established that administration of residents parking is due to be returned to DCC in approximately February 2020.
- Stock testing of the blue badge annual passes and scratch cards identified the following:
 - The original order of 400 annual passes and the sales logs from the MSCPs were used to agree remaining passes left, however no distribution records are held by Car Parks Administration
 - Since the previous audit 2 passes have been issued by Car Parks Administration however no records were retained
 - A review of the current stock and records for the blue badge scratch cards established that these are being adequately used and recorded

Recommendation	
R4	As recommended in the previous 2 audits complete records should be kept and maintained of all controlled financial stationary including the following: <ul style="list-style-type: none"> Amount of stationary received including checking the delivery Amount of stock currently held with current references Spoilt or damaged stationary needs to be recorded to reduce the risk of fraud Any disposals should be recorded and authorised Priority: Medium

Cash Floats

15. A review of all cash floats, ticket machine floats and unbanked income was undertaken on 10/07/2019. Cash floats were checked and agreed to the FMS however parking machines could not be checked as these were self-maintained by the parking machines. Since the previous audit the following was identified:
- The Saltergate MSCP closed then demolished and rebuilt. The cash floats were banked
 - A float of £50 was agreed for use by the car parks staff to top up the parking machines with 10p coins. It was identified £60 was in this float at the time of the audit and it was agreed the float could be increased from £50 to £60
 - The new Saltergate car park opened on 30th July 2019. Cash floats for the new car parking machines have been issued (not checked as part of the audit)
 - A year end adjustment had been completed on the Car Parks float account leaving an incorrect overall balance

Adjustments were made to the car parks floats account on the FMS to correct the issues identified and to ensure that the car parks float account was accurate.

16. It was established that due to the failure of the Beetwell Street MSCP management system, details of cash in the parking machines were not accessible.

Banking Procedures and Records

17. Details of income banked for the period 14/05/2019 – 13/06/2019 (weeks 8–11) were extracted from paying in slips retained by Accountancy Service. Amounts banked were reconciled to the following source documents:
- Daily surface collection sheets (including individual machine audit tickets)
 - Daily MSCP income sheets (including individual APS machine reports)
 - Daily MAN cash reports (MSCP kiosks)
 - PDQ card payment transaction reports
 - DCC on street collection sheets (including individual machine audit tickets)
 - Administration office cash book and general receipt book
18. Income banked reconciled back to all source documentation and there were no issues with the accounting treatment and coding of income in respect of VAT.
19. From a review of the cash collection records the following was identified:
- It was considered that car parking machines are emptied at reasonable intervals to mitigate the risk of holding excessive levels of money
 - A Car Park Attendant signature was missing on 13/60 (21%) collection sheets
 - A Cashier signature was missing on 6/60 (10%) collection sheets

Recommendation	
R5	As recommended in the previous 2 audits it should be ensured that all daily cash records and collection sheets are correctly signed and checked when received by the admin office Priority: Medium

20. Currently, card transactions are recorded on a database, cash on a spreadsheet (“cashbook”) and cheques in a general receipt book.

Recommendation	
R6	As recommended in the previous audit, consideration should be given to recording income (cash & card) in one place i.e. the cashbook Priority: Low

21. A section of the cashbook details the sequential audit ticket numbers to ensure that these are recorded in order and that no machine income is missing. A sample of 4 weeks (weeks 8 – 11) were checked with the following results:
- There were a total of 26 incorrect entries of audit references and 12 incorrectly recorded amounts in the cash book when compared to the audit tickets **see R8**
 - 6 audit tickets (1%) did not run in sequential number order **see R8**
22. Three days of Kiosk income was sampled for Beetwell Street MSCP to ensure that all scratch cards can be traced back to the sales record (Limited information available due to management system failure).
23. Sampling of scratch card sales from the VIC was undertaken to ensure the correct income had been received. 1 month’s income return was confirmed as accurate with no issues.

Income Differences on Machine Emptying

24. Daily expected income, actual income and variances are recorded on the income recording spreadsheet by car parks admin, it was established that there are no variance reports available on this spreadsheet
25. In previous audits it was established that a variance reporting procedure had been communicated to the car parks staff where any variance over £50 is to be investigated, if no satisfactory conclusion is reached then the information is passed to the Town Centre Operations Manager and Internal Audit. This policy and limit was set based on the previous parking machines which were known to have significant machine failures. As new machines have been installed and should be operating more effectively, it was established that any variance over £20 should be investigated.
26. A review of the variances from 14/05/2019 to 16/06/2019 identified 2 variances over £20 of which only 1 had an adequate audit trail/investigation. Although variances have reduced since the previous audit, due to current findings the 2 previous recommendations have been merged & restated (previously R4 & R6).

Recommendation	
R7	As recommended in the previous audit, it should be ensured that the car parks variance reporting procedures are reviewed including variance amounts (£) and that these are adhered to. This should include formulating the cashbook to accurately report weekly/monthly variances of which then could easily be checked by management on a regular basis Priority: Medium

Internal Checks and Procedures

27. During the audit it was established that independent management checks are being completed on randomly selected days each week by the Parking & CCTV Supervisor. One of these days is then also checked by the Town Centre Operations Manager each month.
28. 2 days of banking income was selected at random to ensure all documentation was checked appropriately, findings were as follows:
- Collection sheets were signed by management to confirm the check had taken place
 - Amounts banked reconciled to the collection sheets
 - Variances between audit tickets/cash banked and cashier variances were present on the collection sheets and therefore it was assumed these had been checked
 - 1 collection sheet was missing a car park attendant signature
 - 1 collection sheet was missing a cashier signature
 - There was a difference between the MANCASH audit ticket and what was recorded on the collection sheet
29. Furthermore, it was confirmed that the above checks did not include;
- checking the collection sheet information was correctly entered into the cashbook
 - Income received and recorded in the general receipts book

Recommendation	
R8	<p>As recommended in the previous audit, it should be ensured that appropriate independent management checks are introduced and regularly completed for the following areas:</p> <ul style="list-style-type: none"> • Audit tickets are sequential numbered • Variances • General Receipts (Cheque Payments) • MANCASH • Cross-referencing source documentation with the cashbook <p>Priority: Medium</p>

Ticket Procurement, Stocks and Issues

30. Tickets are purchased through Paperwork UK (formerly Browns Advertising) at a price agreed through a formal contract that expires in September 2022.
31. Since the previous audit, the practice of recording stock of tickets stopped when the Car Park team moved to the Town Hall and tickets started to be stored at Beetwell Street MSCP. No testing could be completed to ensure stock levels were correct.

Recommendation	
R9	<p>Recommend the stock ticket record to track deliveries, issues and used stock to reduce the risk of loss and potential over-ordering</p> <p>Priority: Low</p>

Machine Testing

32. Machines are usually tested when they are emptied and the car park attendants deliver the “test tickets” to the Car Park office daily. The Parking & CCTV Supervisor reviews these but no longer retains them due to lack of storage space.
33. It was discussed during the audit that the purpose of test tickets is to ensure the machines are working correctly to reduce any loss of income. Mitigating factors included the public and car park enforcement officers informing the Council of machine faults and therefore it was agreed not retaining the tickets presented a very low risk. However, it was suggested that test tickets should be retained for a minimum period of 1 month to ensure an audit trail exists to show machines are being regularly tested and any faults identified are being actioned in a timely manner.

Parking Permits

34. Annual and monthly permits issued for use at surface car parks and Saltergate were tested to ensure the correct income and been received.

Saltergate

35. Saltergate permit holders were transferred to Rose Hill car park during its re-build. Rose Hill permits are programmed on the Skidata database but this does not produce reports very easily and therefore a separate spreadsheet is maintained. All permits were business annual permits.
36. 100% (17) of permits tested had not been charged in line with the fees and charges as outlined in the Cabinet Report (compared to 60% (3/5) previously), a discount of £70 had been given for each permit. **See R2**

Surface Car Parks

37. A spreadsheet is maintained by the car park team of surface car park permits. A random sample of 5 permit holders (2 annual, 3 monthly) were selected and all had been charged the correct amount.
38. As part of the current tender (see para 45) this manual system will be placed by a computerised “Pay by Phone” system.

Employee Parking Permits

39. Guidelines and application forms for staff parking permits were found on Aspire. There are two types of staff permits:
 - Employees pay £10 per month and can use specified surface car parks
 - Employees may be given a Rose Hill permit paid for by the budget holder

£10 p/m permits

40. A spreadsheet is used to record staff members with a permit. A random sample of 5 employees were cross-referenced with the payroll system to ensure £10 p/m was being deducted, no issues were found.
41. As per the guidelines, employees are charged £5 if they lose their permit and ask for replacement. 3 employees were chosen at random and it was evidenced they had paid £5 for a replacement permit.
42. Permits are kept in the car park office, it was confirmed during the stock-take that all stock was present.

Rose Hill Permits

43. Staff with a Rose Hill permit are recorded within the Skidata database and on a spreadsheet, these records were cross-referenced and appeared to be up-to-date.
44. A CMT member must authorise a Rose Hill permit, this is usually done by email of which the car park team save on the network. A random sample of 5 employees were tested of which all had authorisation.
45. The guidelines updated in July '19 stated that permits should be valid for Mon-Fri only. 2/5 employees were found to have permits valid for 7 days due to the fact that this is the system default. The Parking & CCTV Supervisor was advised of the findings and will investigate whether the default can be changed to 5 days.

Arrangements between CBC and DCC

46. CBC collects income from on-street machines owned by Derbyshire County Council (DCC). A new agreement is currently being drawn up and will run until February 2020 when it is expected DCC will take back this responsibility.
47. On a quarterly basis the Senior Accounting Technician extracts details of income from the financial management system, deducts the agreed management fee and makes a bank payment to DCC. Quarter 1's payment was reviewed and found to be correct.

New Car Parks/Machines

48. Saltergate re-opened late July '19 and the machines/system was installed as part of the build. A few problems have arisen and are being dealt with by the supplier. The new management system and reporting function introduces more controls than is currently in place at any other car park.
49. Beetwell St Multi-Storey Car Park, Rose Hill and Soresby Street are currently being operated on 3 different systems. These are part of a tender due to go live approx. September '19. The tender will specifically state that new machines will need to be able to interface with

Saltergate's new management system to reduce the multiple systems/procedures in place currently.

50. Ashgate Road car park closed in July 2018 and the ticket machine was moved to Holywell Cross car park to replace an old machine by Camak (repairs contractor).
51. Electrical points were installed in July '19 at 3 car parks through the D2N2 partnership at no cost to CBC. Chargemaster supplied, installed and will maintain the equipment with CBC receiving the fee for parking, and Chargemaster for the electricity use. A review of the agreement highlighted that it ended in October 2019 but discussions with the Town Centre Operations Manager confirmed it should state October 2029 and needs correcting.

Recommendation	
R10	Ensure the agreement with Chargemaster is updated to reflect the actual end date of October 2029 <i>Priority: Low</i>

Budget Monitoring

52. It was confirmed that regular budget monitoring is undertaken by the Town Centre Operations Manager and reported to the Finance and Performance Board.
53. Income for 2018/19 was reviewed and found to be £56,000 below budget.
54. The overall budget for 2019/20 for all car park codes (0150, 0151, 0152 and 0153) was reviewed up to period 4. Income was below budget but expenditure was too so overall there was a surplus of £139,000 against budget.

Appendix 1

Internal Audit Consortium Opinion Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Appendix 2

Previous Recommendations

Recommendation		Priority	Implemented?
R1	<p>As recommended in the previous audit complete records should be kept and maintained of all controlled financial stationary including the following:</p> <ul style="list-style-type: none"> • Amount of stationary received including checking the delivery. • Amount of stock currently held with current references • Spoilt or damaged stationary needs to be recorded to reduce the risk of fraud <p>Any disposals should be recorded and authorised</p>	Medium	No – restated see R4
R2	<p>It should be ensured that appropriate independent management checks are introduced and regularly completed for the following areas:</p> <ul style="list-style-type: none"> • Multi-storey car parks scratch card sales records to ensure they are being correctly recorded • Sequential audit ticket references from the parking machines • Identified variances in the amount banked to ensure they are investigated and reported correctly • The checks of the amounts banked should include the verification of the amount collected to the receipt provided by cashiers 	High	Partially Implemented – restated see R4 and R8
R3	<p>As recommended in the previous audit it should be ensured that all daily cash records and collection sheets are correctly signed and checked when received by the admin office</p>	Medium	No – restated see R5
R4	<p>The spreadsheet should be formulated to ensure accurate reporting of machine collection/banking variances with actual weekly variance being calculated</p>	Low	No – see R7 (merged)
R5	<p>It would be prudent to commence recording card payment transactions within the new income spreadsheet</p>	Low	No – see R6
R6	<p>It should be ensured that the car parks variance reporting procedures are reviewed including variance amounts (£) and that these are adhered to</p>	Medium	No – see R7 (merged)
R7	<p>A review of general receipts issued should be undertaken periodically with amounts banked being confirmed to Cashiers receipts</p>	Low	No – see R8
R8	<p>It should be ensured that a record of faults reported and repaired are completed and maintained.</p>	Low	No – see R1

Cyclical Tests 16/17

16/17 R5	Consideration be given to reviewing all current monthly permits that have been issued as multiple purchases or for multiple months to ensure the correct amounts has been charged	Low	No – restated in a different format see R2
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Internal Audit Report – Implementation Schedule

Report Title:	Car Parks Income	Report Date:	9th September 2019
		Response Due By Date:	30th September 2019

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	As recommended in the previous audit it should be ensured that a record of faults reported and repaired is completed and maintained	Low	Yes	LH AB	31/10			
R2	It is essential that the all prices charged comply with the fees and charges approved by the cabinet. If discounts are applied these should be approved by the relevant cabinet member. Consideration should be given to including delegated authority for discounts within the next fees and charges report	Medium	Yes	AB	31/10			
R3	Consideration should be given to reviewing the current system for recording residential parking permits to ensure comprehensive record exists	Low	Yes	AB LH AS	30/11			
R4	As recommended in the previous 2 audits complete records should be kept and maintained of all	Medium	Yes	LH AS AB	31/10			

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments	
			Officer	Date				
<p>controlled financial stationary including the following:</p> <ul style="list-style-type: none"> • Amount of stationary received including checking the delivery • Amount of stock currently held with current references • Spoilt or damaged stationary needs to be recorded to reduce the risk of fraud • Any disposals should be recorded and authorised 								
R5	As recommended in the previous 2 audits it should be ensured that all daily cash records and collection sheets are correctly signed and checked when received by the admin office	Medium	Yes	LH AS AB	31/10			
R6	As recommended in the previous audit consideration should be given to recording income (cash & card) in one place i.e. the cashbook	Low	Yes	LH AS AB	31/10			
R7	As recommended in the previous audit it should be ensured that the car parks variance reporting procedures are reviewed including variance amounts (£) and that these are adhered to. This should include formulating the cashbook to accurately report	Medium	Yes	LH AS AB	31/10			

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
weekly/monthly variances of which then could easily be checked by management on a regular basis							
R8 As recommended in the previous audit It should be ensured that appropriate independent management checks are introduced and regularly completed for the following areas: <ul style="list-style-type: none"> • Audit tickets are sequential numbered • Variances • General Receipts (Cheque Payments) • MANCASH • Cross-referencing source documentation with the cashbook 	Medium	Yes	LH AS AB	31/10			
R9 Recommend the stock ticket record to track deliveries, issues and used stock to reduce the risk of loss and potential over-ordering	Low	Yes	LH AS	31/10			
R10 Ensure the agreement with Chargemaster is updated to reflect the actual end date of October 2029	Low	Yes	AB	31/10			

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Service Manager:	Andy Bond	Date:	30/9/2019
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Note: In respect of any High priority recommendations please forward evidence of their implementation to internal audit as soon as possible.